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ABSTRACT

This report examines various aspects of financial aid including financial need as the basis for financial aid to students and the problem of inadequate funds. Recommendations suggest: (1) When forms are administered to the students, more guidance is needed to make them aware of the differences in the two systems presently serving the colleges and universities. The American College Testing Program (ACT) and College Scholarship Service of the College Entrance Examination Board (CSS). (2) Forms which would be more appropriate to the families of students served by the Black institutions must be developed. (3) Assets consideration seems to favor those who have assets by allowing those persons so endowed to keep a certain amount of their assets in reserve. However, those persons not as fortunate are not given allowances that would enable them to draw from their income to obtain similar assets. (4) Consideration should be given to the differences in costs of living in different sections of the U.S. (Author/MJM)

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FINANCIAL AID: WHO NEEDS IT?

LINDA M. JACKSON

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Financial Need as the Basis for Financial Aid to Students

Prior to 1958, most scholarships were awarded to students on the basis of competition in educational achievement with no particular regard to financial need. The passage of the National Defense Education Act (NDEA) of 1958 began the era of awarding student financial aid where need became an important, if not primary, factor with respect to government funds. The Higher Education Act of 1965—Section 407— put emphasis on this principle when making the conditions under which funds are received from the Educational Opportunity Grants Program. It provided that the institutions of higher education must agree to "make vigorous efforts to identify qualified youths of exceptional financial need and to encourage them to continue their education beyond secondary schools through programs and activities."

ACT's (American College Testing Program) Financial Need Analysis System, as well as that of CSS (College Scholarship Service of the College Entrance Examination Board) was developed as a response to this trend. ACT's System is used by approximately 97% of the TACTICS institutions. It appears that the ACT System is used over the CSS System primarily because, after careful examination of the two systems, it can be seen that, on the average, the ACT System provides for less family contribution to the cost of college than the CSS System (within the $0-$10,000 income range),[1] using the same standard for income and family size for both. (As of October 1, 1972, families of students applying for aid were expected to contribute more than previously under the ACT system. This is in part an attempt by ACT to make the results of their system more compatible with that of CSS).[2] Although ACT's computed amount of family contribution is less than CSS's for the same conditional factors of income and family size, as noted above, is still not apropo to the majority of the students served by the Black colleges and universities.

For example, according to a recent publication distributed by the Southern Education Foundation, "Taken as a group, the 85 degree-granting colleges and universities created to serve Black Americans have made the most of the meager support they have received. In 1970, [the 85 degree-granting, traditionally Black colleges and universities surveyed] awarded more than 25,000 degrees. Two of every three graduates came from families having an annual income of less than $5,200; yet nationwide, less than 10 percent of the people from that income level manages to get a college education"[3]

Sixty-eight percent (68%) of the TACTICS institutions use the CSS System, as well as the ACT System; of this number, 41% have joined CSS as recently as October 1970. Students, in general, do not know the differences between the two services, i.e., the differences in final amount for family contribution as calculated by the different systems. Too often, the schools (high schools or colleges) do not inform the students of the differences when they distribute the necessary forms needed to apply for financial aid. Nevertheless, the students are paying for this financial need analysis service; it is a convenience for the institutions because in most cases, they do not have to perform their own analysis.

Both the ACT and the CSS Systems have a formula to determine family contributions based on income, assets, indebtedness and other relevant factors. Briefly, each system totals the income and other information requested on their forms and analyzes it. The CSS makes adjustments in both the income and the assets for federal and state income tax payments, unusual medical or emergency expenses and debts resulting from natural causes. After the adjustments, the amount that remains is considered "effective income." Families are expected to use this for general living expenses—food, housing, clothing, support of children, participation in social and community activities and allowances for discretionary purchases, of which education is considered.[4]

[1] The majority of students enrolled in TACTICS institutions have family incomes that fall within this range.

[2] "1972 Revisions in the ACT Student Need Analysis Service," Research and Development Division, American College Testing Program.

[3] From "Small Change: A Report on Federal Support for Black Colleges, 1972" by the Southern Education Foundation, pg. 8

[4] CSS—*Financing a College Education*, pg. 10.

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ACT's system of analysis is similar to CSS. From the total family income are subtracted the federal income tax deduction, federal income tax, social security tax, the appropriate family size allowance (according to the Bureau of Labor Statistics Low Standard of Living Budget based on family size), and a housekeeping allowance (in the case of a one-parent family, when that parent is working or a two-parent family where both parents are working). The remainder is referred to as "Available Income" and is available to the family for a variety of discretionary (voluntary, not obligatory) purposes, one of which is to provide for the higher education of the children.[5]

The following tables show the differences in the ACT and CSS Systems, with regard to expected family contribution, as calculated by each system (for school year 72-73):

... the design of forms ... too often produce deterrents to persons unfamiliar with them and their terminology.

The issue has been raised concerning the design of forms which too often produce deterrents to persons unfamiliar with them and their terminology. Such lack of unfamiliarity may produce an incomplete form. These are, in most cases, "rejected due to insufficient information" by the two

Table I. Expected Family Contribution

	Number of Dependent Children									
	1		2		3		4		5	
Income	ACT	CSS	ACT	CSS	ACT	CSS	ACT	CSS	ACT	CSS
Less than $ 5,000	0	0	0	0	0	0	0	0	0	0
5,000	90	0	0	0	0	0	0	0	0	0
6,000	320	280	20	50	0	0	0	0	0	0
7,000	570	550	190	280	10	80	0	0	0	0
8,000	810	820	430	510	130	280	20	120	0	50
9,000	1,050	1,080	660	730	360	470	120	300	50	220
10,000	1,320	1,290	900	960	590	660	340	480	160	390
11,000	1,600	1,530	1,150	1,180	820	860	570	650	390	560
12,000	1,910	1,800	1,420	1,400	1,070	1,050	800	830	610	730
13,000	2,240	2,100	1,710	1,650	1,340	1,260	1,050	1,010	850	890
14,000	2,560	2,440	2,040	1,920	1,640	1,490	1,330	1,210	1,120	1,060
15,000	2,950	2,810	2,390	2,240	1,970	1,750	1,630	1,420	1,410	1,270
16,000	3,360	3,240	2,740	2,590	2,320	2,030	1,960	1,660	1,720	1,490
17,000	3,790	3,660	3,140	2,980	2,670	2,350	2,310	1,930	2,050	1,740
18,000	4,220	4,070	3,550	3,390	3,050	2,710	2,660	2,240	2,400	2,010
19,000	4,650	4,480	3,980	3,800	3,450	3,110	3,040	2,580	2,750	2,320
20,000	5,080	4,890	4,410	4,210	3,880	3,520	3,440	2,960	3,140	2,670

One could argue that neither the ACT nor the CSS Systems are particularly responsive to conditions under which a great number of Black families live.

> In a recently issued report entitled "The Social and Economic Status of the Black Population in the U.S., 1971"; out of a total of 1,445,000 Black families, at or below the low income level, 48% or 690,000 families were receiving public assistance income, while 24% or 341,000 families were receiving social security income.[6]

services. Both ACT and CSS do provide spaces for recording welfare and social security payments. (CSS provides for unemployment compensations as well.) In the cases where these factors are present, the comprehensive forms circulated by ACT and CSS are not appropriate for the families of these students. Most Blacks, in general, are not familiar with assets' terminology; and, certainly, persons whose only income is from welfare, social security, or unemployment would not have any use for those terms. In addition to the forms being incomprehensible to a lot of families at or below the low-income level, questions are often asked requesting past information on income that is not always available. CSS has made an attempt in that they have devised an additional form which is more appropriate for low-income families, however, more work is needed in this area.

[5] ACT *Handbook for Financial Aid Officers*, pg. IV-2.

[6] Source: U.S. Department of Commerce, Social and Economic Statistics Administration, Bureau of the Census.

The Problem of Inadequate Funds Still Remains

A significant number of students enrolled in historically Black institutions come from families with annual incomes less than $6,200 and, therefore, need some form of student financial assistance to begin and continue their education.

In a 1969 survey done on 13 Black Colleges participating in the Institute for Services to Education's Thirteen College Curriculum Program, it was found that of the total students involved in the program, 92% of those responding to the question on family income came from families with annual incomes less than $6,200. Seventy-eight percent (78%) of the students responding to the question of family size came from families of 5 or more persons and 90% of the students involved were receiving some type of financial support (53% were receiving full support).

From a sample of 63 TACTICS schools completing survey questionnaires for 1972-73 (in a combined effort between NAFEO, OAPNC, TACTICS, and UNCF), 93,555[7] or 77% of the total enrollment of 121,000 students were receiving some type of financial assistance.

Comparison is made below for the income range of students by various cross-sections of college students.

Table II-A.

Distribution of Freshmen Students--Nationally--By Family Income--1971*

Income Level	Black Students	Non-Black Students
0-3,999	25%	4%
4,000-5,999	19%	6%
6,000-9,999	28%	22%
10,000- or more	28%	68%

*According to a recent report by the American Council on Education entitled: "The Black College Freshman: Characteristics and Trends," page 23.

Table II-B.

	TACTICS Sample[a]	CSS Sample[b]	Census Data[c]
0-4,999	64%	8%	11%
5,000-9,999	29%	27%	27%
10,000- or more	7%	58%	59%
Not reported	0%	8%	2%

[a]Based on a sample of 93,555 students from 63 historically Black institutions of higher education, surveyed in Fall, 1972, in a combined survey effort including NAFEO, OAPNC, TACTICS, UNCS, under the MIS/TACTICS auspices.

[b]Based on a sample of 3,363 college sophomores, nationally surveyed by the College Scholarship Service, College Entrance Examination Board for a study entitled: "How College Students Finance Their Education: A National Survey of the Educational Interests, Aspirations, and Finances of College Sophomores in 1969-70."

[c]Based on data collected by the U.S. Bureau of the Census, Current Population Reports, Series P-20, No. 222, "School Enrollment: October 1970." (Total of 3.7 million families with at least one member enrolled in college.)

7. This total is for public and private institutions at all student levels.

A significant number of students enrolled in historically Black institutions come from families with annual incomes less than $6,200.

Of the 93,555 students (from TACTICS institutions and receiving aid), 64%[8] were from families with less than $5000 income and 29%[8] from families with income between $5000 and $10,000. Hypothetically, if each of these 59,875 students is from a family whose annual income is less than $5000 and he (or she) is an only child (rather unlikely) with both parents present in the home, this family of 3, according to both ACT and CSS would not be expected to contribute anything toward the cost of the college education. Bearing this in mind, it is easy to see that it is possible that 64% of the students receiving financial aid need total financial assistance to pursue a college education.

The tuition, fees and room and board charges per year for TACTICS schools is as follows:

	In-State	Out-of-State	Average
PUBLIC	$1,294	$1,683	$1,489
PRIVATE	$1,816	$1,816	$1,816

Using the average charges and the expected contribution from the ACT system, we get a picture of approximately how much financial aid money is needed for students (included in the survey of 63 schools) who are receiving some financial assistance, by examining Table III.[9]

In a recent release entitled, "Needed: Supplemental Student Financial Assistance,"[10] the author cites the amount received by 112 Black Colleges and universities from the U.S. Office of Education under the Educational Opportunity Grants, College Work Study and National Defense Student Loan Programs for the academic year 1972-73. The 112 Black schools surveyed had requested an approximate total of $132 million under these three programs. However, only $73 million were actually received or $59 million less than the amount requested. Using averages, the total amount received by each school would be approximately $651,785.

8. These percentages are figured for total institutions, both public and private.

9. Percentage distributions by income category are taken from actual public and actual private student distributions rather than the average of the two.

10. Prepared by Miles M. Fisher, IV, Executive Secretary, National Association for Equal Opportunity in Higher Education (NAFEO).

Table III. *

Income $	1. Public No.	1. Private No.	2. Actual $	2. Average $	3. Public $	4. Private $	5. Public $	5. Private $	5. Total $
0-4,999	27,557	30,716	0	0	1,489	1,816	41,032,373	55,780,256	96,812,629
5,000-7,999	5,974	9,071	0 10	5	1,484	1,811	8,865,416	16,427,581	25,292,997
8,000-9,999	5,089	7,727	130 360	245	1,244	1,571	6,330,716	12,139,117	18,469,833
10,000-12,499	941	2,912	590 820 945	785	704	1,031	662,464	3,002,272	3,664,736
12,500-14,999	628	1,941	945 1,340 1,640	1,308	181	508	113,668	986,028	1,099,696
Totals	40,189	52,367					57,004,637	88,335,254	145,339,897

*KEY

Column 1. = The number of public and private students within each income category who are receiving financial aid.
Column 2. = The amount of expected family contribution toward college education costs as calculated by ACT. See Note B below.
Column 3. = The difference between 2. and the average cost of attending a public TACTICS college. (See page 3 for average cost)
Column 4. = The difference between 2. and the average cost of attending a private TACTICS college. (See page 3 for average cost)
Column 5. = The total amount of finances needed to accommodate the number of students designated in each category.

Notes

A. The figures for the average number of students per income category (Column 1) were derived from taking the average number of students on financial aid as found in the Fall, 1972, survey conducted under the auspices of MIS/TACTICS/ISE which contained information on the total number of students receiving financial aid, as well as a percentage breakdown by income category.
B. The figures for expected family contribution are taken from the ACT system (using average family size as 5 members) Since the income levels overlap, an average of the expected family contributions is used, thus giving a "total amount of finances needed" figure which represents the average amount of money needed.
C. Column 5 gives figures for the money needed for public, private and total, based on the calculated differences between average cost of public and private and expected family contribution times the number of students in each income category (public and private).

This obvious need for more finances, coupled with the fact that many students are rejected from the historically Black institutions because of the lack of financial aid, clearly expresses the overwhelming need.

In addition, the report goes on to say that of only 55 schools reporting admissions data on the 72-73 academic year, 20,719 students were turned down for the 72-73 academic year because no aid was available and 23,680 students presently enrolled need *additional* aid.

. . . the TACTICS institutions . . . have always received the "crumbs from the table."

Recommendations

As evidenced in this report, there are inadequate finances available to serve all those students who need funds to attend college. Work is needed in this area, as well as in the area of financial need analysis. More pressure needs to be put on the government to allocate more funds for education and specifically to the TACTICS institutions, who have always received the "crumbs from the table." NAFEO has as one of its tasks to research the problems which may be inherent in legislation of financial aid funds on behalf of the Black colleges. Promising students are often lost by Black institutions because of lack of funds. Some of these students are sometimes able to obtain financial assistance form "white" colleges looking for minority students to meet their "quotas." But most go on in vain, looking for a way to make ends meet so they may have the opportunity for success in an educational environment which may appear to them contradictory in its preachings and actions.

In terms of goals which should be fulfilled via existing organizations working on behalf of the Black colleges/universities, this report suggests that the immediate problem of developing a suitable need analysis system might best be fulfilled through the proper utilization of an existing organization such as TACTICS. TACTICS has the capability to develop the system utilizing the pooled resources of personnel from within its college constituency. Persons with the expertise in admissions, financial aid, and systems analysis, as well as those with knowledge of conditions under which low-income Black families live, must begin to develop their own tools in an effort to make the educational system responsive to their needs. Some of the obvious changes needed within the financial need analysis system, as well as in the procedure by which information is gathered to perform the need analysis are:

(1) When forms are administered to the students, more guidance is needed to make them aware of the differences in the two systems (ACT and CSS) presently serving the colleges and universities. Also needed is a service which gives assistance to students and parents (when requested) on how to fill out the existent forms.

(2) Forms which would be more appropriate to the families of students served by the Black institutions must be developed. The constituency should be examined closer and changes should be made on the basis of those findings. When such forms are developed, they should then be tested by utilizing a random sample of families *within* or *below* the low-income family bracket.

(3) Assets' consideration seems to favor those who have assets, in one respect, by allowing those persons so endowed to keep a certain amount of their assets in reserve (understandable, considering future retirement costs and emergencies). However, those persons not as fortunate (in terms of income) are not given allowances which would enable them to draw from their income to obtain similar assets.

(4) Consideration should be given to the differences in costs of living in different sections of the U.S. (e.g., urban costs of living are substantially higher than rural.).

The above considerations are enough cause for the Black colleges to push for a better need analysis system either by having input into the existing ACT and CSS Systems or by the development of another needs analysis service.

More funds are needed, but as important is the need for a more equitable manner in which to determine need for Blacks and other minorities than is presently operative.

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The MIS Research Profile is a monthly reporting service of the TACTICS Management Information Systems Directorate of the Institute for Services to Education, Inc. The purpose of this Research Profile is to make use of the data contained in the MIS Data Bank (containing figures on Black higher education), by researching and reporting on relevant issues of interest to developing institutions. You may subscribe to this reporting service by contacting:

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